LOCAL AND LEGISLATIVE SECRETARIAT.

Construction of Railways in the State.

ORDER NO. L. 1844-900—L. B. 63-26-1, DATED 9TH SEPTEMBER 1926.

Though Government in Notification No. Fl. 4932-81—G. F. 163-11-1, dated 22nd April 1914, laid down certain rules for showing concessions to the District Boards in the matter of the construction of railways in the State, yet there has been considerable divergence in the terms upon which these lines have been constructed in the various Districts of the State. The question of laying down a definite policy on this subject has been engaging the attention of Government for some time past.

Railway cess was introduced into Mysore in the year 1914 and in order to enable Local Bodies to take part in railway development the Local Boards Regulation was suitably amended for that purpose. The law as it now stands under Section 24 (a) of the Local Boards and Village Panchayets Regulation of 1918, lays down that a railway cess not exceeding six pies in the rupee on all items of revenue on which local cess is collected may be levied by a District Board to be utilised wholly for the construction of railways and tramways.

At present railway cess is levied at three pies in the rupee in the Mysore, Shimoga and Tumkur Districts and at six pies in the rupee in the Kolar, Kadur and Chitaldrug Districts, while in the Bangalore and Hassan Districts there is no levy of the cess. In the Kolar District, accumulated railway cess has been utilised for the capital cost and for the open line of the railway. In the Mysore District, the District Board has agreed to the accumulated surplus of the railway cess being utilised to meet the capital cost of the Nanjangud-Chamrajnagar line and to the future collections being used in paying interest and sinking fund charges. In the Kadur District the Board has agreed to pay the accumulated surplus of the railway cess to the Government who have undertaken to construct the Kadur-Chikmagalur line and has also agreed to continue to levy the cess and make it over to Government to meet the losses in working for a period of twenty-five years. In the Shimoga District proposals for utilising the cess towards the extension of the railway from Shimoga to the heart of the Malnad are under consideration. The Bangalore District Board is being asked whether it would agree to levy at once a cess of three pies in the rupee for guaranteeing about 60 per cent. of the loss on capital outlay on a light-railway between Bangalore and Hosur to be constructed and owned by Government. In those five Districts there is some definite connection between the railway cess and railway development.

In the Chitaldrug and Tumkur Districts, however, though a railway cess is being levied, to is not utilised for the purpose of any railway line actually working or under construction and owing to the unremunerative character of the new lines proposed in these Districts there is no immediate prospect of any such lines being undertaken. In the Mysore District, the District Board will own the Railway under the terms of agreement between Government and the Board. In the Kolar District, Government and the District Board are joint owners of the railway line constructed partly with the help of the cess. In Kadur, Shimoga and Bangalore Districts, Government will be the sole owners of the proposed lines.

This change in policy is in accordance with the Government of India resolution No. 2131-F., dated 19th February 1925, which has abolished the system of having separate branch lines constructed and owned by Local Bodies. New extension are treated as belonging to Government, the co-operation of the District Boards being taken only in case of lines which, though not remunerative on railway earnings, are required to be constructed for purely local reasons for the development of the particular area. In such cases, the local authority guarantees the Railway Board against loss by consenting to make up the difference between the net earnings and interest and other charges payable.

The Government of India have in their resolution made it clear that in the absence of special circumstances they would not encourage a Local Board to build from its own resources a branch or feeder line. None of the District Boards in the State are in a position to find the entire capital required for the construction of a railway line and any loan proposed to be raised by the Board requires the guarantee by Government to make it a successful floatation. For administrative reasons and also on

the ground of economical management, all railways in the State whether constructed at the expense of companies or District Boards have to be worked by Government. As pointed out in Government of India resolution, multiplicity of proprietory interest is an embarrssing factor and from all points of view it appears to be best to lay down as a general rule that no proprietory rights will be allowed either for local bodies or for companies on any new railway lines to be constructed in the State.

If a District Board proposes a line which is not expected to be remunerative on its earnings but the construction of which is urged for local reasons it is reasonable to expect Government who undertake its construction to be reimbursed the loss involved in the working of the line. It is indeed true that, in British India, the Local Board concerned has to reimburse Government the entire loss in working the railway but as the District Boards in Mysore are poorer in Financial resources than the Boards in British India and as Government and the Boards are equally interested in opening up the country by means of railways, it is desirable that some portion of the loss in working such lines should be borne by Government. Having regard to all the circumstances, Government consider that the District Board concerned should bear not less than 60 per cent and not more than 75 per cent of the loss. As observed above, the loss that the Bangalore District Board is being invited to bear is about 60 per cent. The Board concerned will be called on to levy a cess to cover the loss, and the cess will be liable to proportionate reduction from time to time with the sanction of Government, but not more frequently than once in five years, as the earnings of the line improve. The maximum period for which the cess is leviable will be settled in each case and will not exceed twenty-five years. The loss that is thus apportioned will include the interest payable on capital expenditure, depreciation and loss in working. For purposes of calculation the rate of interest will be fixed by the Government from time to time. When the railway runs through more than one District the District Boards concerned should bear the loss in proportion to the mileage in their jurisdiction or with reference to some other factor which Government may consider to be reasonable in the circumstances of the case. Under this arrangement, the burden to be borne by the District Board will be reduced and if the railway cess that the Board imposes is in excess of these requirements the balance may accumulate towards further extension of railway mileage. This proposal, no doubt, makes the general revenues of the State bear a portion of the loss of the lines which are not expected to be fully remunerative but it is only fair that Government should also contribute a part of the cost required for extending railway transport facilities in general in the State. This arrangement will also make it possible to undertake the construction of lines, the prospects of the starting of which are now remote. The undertaking by Government to supply the capital for construction and also bear not less than 25 per cent and not more than 40 per cent of the loss in working will encourage applications for undertaking construction of more lines.

The accumulated railway cess of District Boards may be utilised to provide a part of the capital required for the construction of new lines and the disposal of the amount after the lines begin to pay will be settled according to the merits of each case preferably in further railway extensions in the District.

In view of the policy laid down above, Government consider that the railway cess may be continued to be levied with the consent of the District Boards even though there may be no immediate prospects of any lines being constructed.

Government have under consideration the question of drawing up a programme for future railway construction after a careful survey of local requirements in order to provide all necessary links so as to make the State Railways subserve that utmost public convenience and increase the revenue earnings from the system as a whole and give special preference to lines in local areas which have derived no direct benefit from the existing policy of railway development though the people of which have been taxing themselves for railway purposes. Pending issue of orders on this point, railway cess will continue to be levied in the Chitaldrug and Tumkur Districts for a period of two years more and the people of these Districts will be informed by that time when new lines will be undertaken in these Districts.

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